

# City of Norfolk Upcoming Bond Financings

City Council Informal Session

November 13, 2012

# Purpose

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- To provide an overview of the City's upcoming bond transactions
- Financings include:

## **New Money**

- Wastewater System Revenue Bonds, Series 2012
- Water System Revenue Bonds, Series 2013

## **Refunding**

- Wastewater General Obligation Bond Authorization for Interest Rate Reduction – VRA/DEQ
- \$100,000,000 Water System Revenue Bond Refunding Authorization through December 31, 2013
- \$120,000,000 General Obligation Bond Refunding Authorization through December 31, 2013
- A Public Hearing must be scheduled for the new money issuances

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# **Series 2012 Wastewater System Revenue Bonds**

# Planned Wastewater System Revenue Bonds, Series 2012

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- \$12,000,000 par amount
- Financed through Virginia's Wastewater Revolving Loan Fund administered by the Department of Environmental Quality (DEQ) and issued to the Virginia Resources Authority (VRA)
  - This Fund has proven to be cost effective, in that the interest rate is subsidized by the Federal and State governments
- Interest Rate – 0.00%
- To partially fund the cashflow needs of the Wastewater Utility Fund Capital Improvement Program
- Amortized as equal principal payments over 20 years
- Includes a revenue pledge with senior debt service coverage of 1.15x
- Will be repaid solely by revenues generated by the Wastewater System
- Loan Closing expected mid December 2012

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# **Series 2013 Water System Revenue Bonds**

# Planned Water System Revenue Bonds, Series 2013

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- \$60,000,000 estimated par amount
- Public issuance via municipal capital markets
- Interest Rates – market rates based on Water System’s “Aa2/AA+/AA+” ratings by Moody’s, S&P and Fitch, respectively
- To partially fund the cashflow needs of the Water Utility Fund Capital Improvement Program
- Amortized as level debt service payments over 30 years
- Includes a revenue pledge with senior debt service coverage of 1.10x
- Will be repaid solely by revenues generated by the Water System
- Bond sale and closing January/February 2013

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# Refunding Opportunities

# Refunding for Debt Service Savings

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## Goal

- Capture debt service savings by refunding certain higher interest rate existing obligations

## Refunding Characteristics

- Market Sensitive - fluctuating interest rates and investor preferences change the savings generated by an individual maturity and the refunding as a whole
- Minimum savings threshold - 3% aggregate net present value savings
- No extension of the final maturity
- Current interest rate environment is near historical lows

# Refunding for Debt Service Savings *(continued)*

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- Periodically, refunding opportunities generate debt service savings for a very limited time
- In recent years City Council has put in place authorization which allows the City Manager to effect a refunding that meets or exceeds the minimum savings threshold
- This standing authorization provides the City with greater flexibility to capture debt services savings when available
- A Public Hearing is not required under the Code of Virginia to refund existing obligations

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# G.O. and Water Refunding Bonds

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- City Council previously authorized up to \$100 million of G.O. Refunding Bonds valid through 6/30/2012
  - May 2012 – Refunded \$76.8 million NPV savings of \$7.4 million (gross \$8.5 million) or 8.98% of the refunded par
- City Council previously authorized up to \$250 million of Water Revenue Refunding Bonds valid through 12/31/2012
  - April 2012 – Refunded \$176.9 million for NPV savings of \$39.3 million (gross \$52.8 million) or 18.69% of the refunded par
- City staff, along with our financial advisor PFM, continue to track each of the City's individual maturities for debt service savings opportunities
- As demonstrated above, a standing authorization will provide the City with greater flexibility to capture debt service savings when presented
- Recommend refunding authorization through 12/31/13, not-to-exceed:
  - \$100,000,000 Water System Revenue Refunding Bonds
  - \$120,000,000 General Obligation Refunding Bonds

# Next Steps

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## New Money

- Wastewater System Revenue Bonds, Series 2012
- Water System Revenue Bonds, Series 2013
  - *Schedule Public Hearing* *November 13, 2012*
  - *Conduct Public Hearing and Consider Ordinance* *December 11, 2012*

## Refunding

- \$100,000,000 Water System Revenue Refunding Authorization through December 31, 2013
- \$120,000,000 General Obligation Refunding Authorization through December 31, 2013
- Wastewater General Obligation Authorization for Interest Rate Reduction
  - *Consider Ordinance* *December 11, 2012*